

Message Text

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ACTION OES-09

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SUBJ: NUCLEAR POWER PLANT-PROGRAM-MINISTRY OF ENERGY

1. DR. AHMAD SOTOUDEHNNIA, MOE UNDERSECRETARY (VICE MINISTER) IN CHARGE OF NUCLEAR REACTORS, TOLD SCIATT IN JULY 19 DISCUSSION, THAT GOI PROGRAM TO INTRODUCE 23,000 MWE NUCLEAR INSTALLED CAPACITY BY 1993 IS STILL ON TRACK, DESPITE RUMORS TO CONTRARY. HE SPECULATES THAT THIS COULD CHANGE, BUT THUS FAR NEITHER HE NOR MINISTER TAVAKOLI HAS BEEN GIVEN ANY INDICATION OF GOI WAVERING FROM ORIGINAL OBJECTIVES. IN FACT, SHAH REAFFIRMED THESE OBJECTIVES WHEN SOTOUDEHNNIA MET WITH HIM UPON BEING GIVEN HIS RECENT NEW APPOINTMENT.

2. SOTOUDEHNNIA STATED THAT REACTOR UNITS ONE THROUGH EIGHT ARE COMMITTED WITH LAST FOUR GOING TO KRAFTWERKUNION. UNIT NINE AND SUBSEQUENT UNITS ARE NOT COMMITTED; MOE IS TALKING TO PROSPECTIVE U.S. SUPPLIERS, AS WELL AS TO FRAMATOME AND KWU. HE ALSO CONFIRMED DISCUSSION WITH BROWN BOVERI REAKTORBAU (BBR), DAUGHTER COMPANY OF BROWN BOVERI (BBC). PRESUMABLY, A BBR BID WOULD INCLUDE U.S. BABCOK AND WILCOX NUCLEAR STEAM SUPPLY SYSTEM AND GERMAN OR GERMAN/SWISS BALANCE OF PLANT.
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3. WHEN ASKED ABOUT POSSIBLE FORMATION OF COMMISSION TO RE-EXAMINE GOI NUCLEAR COMMITMENT AND PLANS, SOTOUDEHNNIA AGAIN PLEADED IGNORANCE, WHILE CONCEDED THAT SOMETHING OF THIS SORT COULD BE IN PLANNING STAGE THROUGH PRIME MINISTER'S OFFICE; HOWEVER, NEITHER MOE NOR AEOI IS AWARE OF SUCH ACTIVITY.

4. ON SUBJECT OF TURNKEY SUPPLY, SOTOUDEHNIA STRESSED NEED FOR MOE TO FOLLOW CONTRACTOR ACTIVITIES THROUGHOUT JOB. BIDDING PROCESS IS EXPECTED TO BE MODIFIED FOR NEXT UNITS IN THAT SEPARATE BIDS WILL BE REQUESTED FOR ELECTRICAL AND MECHANICAL SCOPE OF SUPPLY, AND FOR EQUIPMENT (NSSS, NUCLEAR ISLAND, AND BOP EQUIPMENT), WITH ONE PRIME CONTRACTOR RESPONSIBLE FOR CONDUCT OF ENTIRE CONSTRUCTION PROGRAM. THIS IS STILL TURNKEY CONSTRUCTION WITH DIVIDED FINANCIAL RESPONSIBILITIES.

5. DR. SOTOUDEHNAI WILL HEAD NEW NUCLEAR POWER PLANT COMMERCIAL ENTITY OPERATING UNDER COMMERCIAL LAWS OF IRAN AND WHOLLY OWNED BY MINISTRY OF ENERGY; THIS IS IDENTICAL TO OPERATING ARRANGEMENTS FOR UTILITY COMPANY (TAVANIR). THE NEW COMPANY WILL BE RESPONSIBLE FOR PROCUREMENT, CONSTRUCTION, OPERATOR TRAINING AND OPERATION OF ALL NUCLEAR POWER PLANTS FOR GOI.

6. AT THIS TIME, THE ONLY ORGANIZATIONAL CHANGE IN AEOI IS MOVE OF PROJECT PEOPLE AND SOTOUDEHNIA TO MOE. NO OTHER CHANGE IS PLANNED FROM MOE SIDE, ACCORDING TO DR. SOTOUDEHNIA, ALTHOUGH HE CANNOT SPEAK TO CHANGES WHICH COULD TAKE PLACE IN AEOI AT AN ETEMAD INITIATIVE.

7. IN DISCUSSING LARGE BLOCKS OF NUCLEAR POWER AS RISKY
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ADDITION TO GRID, SOTOUDEHNIA ADMITTED THE FIRST UNITS REPRESENT ABNORMALLY LARGE INCREMENTS TO BASIC GRID IN 1981; HOWEVER HE STATED THAT THE DECISION WAS MADE SOME TIME AGO AND NOT BY HIM. HE IS LOOKING AT POSSIBILITY OF FOLLOW-ON 1300 MWE PLANTS HAVING SMALLER (TWIN) TURBINES. THERE IS NO CREDENCE GIVEN TO PROSPECT OF MOE PURCHASING SIZES AND DESIGNS OTHER THAN THE STANDARD 1300 PWR'S TO WHICH THEY ARE ALREADY COMMITTED ON EARLY UNITS (WITH THE EXCEPTION OF FRAMATOME 900 MWE UNITS THREE AND FOUR).

8. DR. SOTOUDEHNIA EMPHASIZED THE ADDED COSTS OF BUILDING NUCLEAR UNITS IN IRAN, INCLUDING ROAD CONSTRUCTION, ESTABLISHING A CITY AND INFRASTRUCTURE FOR 10,000 PEOPLE IN A REMOTE AREA OF IRAN (BUSHEHR), AND EVEN INCLUDING THE HIGH COST OF IMPORTED CEMENT NECESSARY FOR PLANT CONSTRUCTION. HE DID NOT SEEM UNDULY CONCERNED THAT CRITICS OF THE NUCLEAR PROGRAM IN IRAN LUMP ALL THESE COSTS TOGETHER TO IDENTIFY AN EXORBITANT COST PER INSTALLED KILOWATT OF NUCLEAR POWER.

9. THE CONSTRUCTION PROGRAM IS ESSENTIALLY ON SCHEDULE ACCORDING TO SOTOUDEHNIA, ADMITTING PROBLEMS WITH KWU

STEAM GENERATOR MANUFACTURE. DESPITE THIS PROBLEM
AREA, BUSHEHR UNIT ONE IS EXPECTED TO GO ON-LINE IN
1981 AS ORIGINALLY PLANNED.

10. COMMENT: IF PURCHASE OF REACTOR UNITS NINE AND TEN
AS MINIMUM, REMAINS AS SCHEDULED, EMBASSY BELIEVES IT IS
OF UTMOST IMPORTANCE THAT BILATERAL AGREEMENT FOR
COOPERATION BE SIGNED AND THAT SIXTY-DAY CONGRESSIONAL
REVIEW PROCESS BE COMPLETED EXPEDITIOUSLY AND POSITIVELY.
SOTOUDEHNAI'S VIEWS OF U.S. POLITICAL PROCESS AND
RELATED UNCERTAINTIES ARE WELL KNOWN. CONFIDENCE WITHIN
MOE, ESPECIALLY AT TOP LEVELS, THAT NEITHER USG NOR
U.S. SUPPLIERS WILL CAUSE MOE UNEXPECTED DELAY (AND
THEREFORE COSTS) IN REACTOR PROCUREMENT AND
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CONSTRUCTION, IS VITAL ELEMENT IN THE POSTURE OF U.S.
COMPANIES COMPETING WITH FRENCH AND GERMAN SUPPLIERS
FOR THESE NEXT NUCLEAR UNITS.
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